

SUPPLEMENTAL

COUNCIL AGENDA: 08-31-04
ITEM: 2.6 (b)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Scott P. Johnson

SUBJECT: SEE BELOW

DATE: August 30, 2004

Approved

Date

8/31/04

Council District: City-wide

SUPPLEMENTAL

SUBJECT: UPDATE ON THE ESTIMATED AVERAGE COST OF AN EMERGENCY COMMUNICATION SYSTEM SUPPORT FEE ON LOCAL SMALL BUSINESSES

REASON FOR SUPPLEMENTAL

On August 17, 2004, the City Council passed for publication Ordinance No. 27229, adding Chapter 8.20 to the San Jose Municipal Code and establishing an Emergency Communication System Support (ECSS) Fee. During the August 17, 2004 meeting staff was directed to determine the impact of the ECSS fee on local small businesses.

ANALYSIS

Based on a survey conducted by the Finance Department, an average small business in San Jose will be charged an ECSS Fee between \$43.43 to \$112.44 on an annual basis.

As a means to determine the estimated impact of the ECSS Fee on local small businesses, the Finance Department conducted a random survey using data extracted from a query of the City's Business Tax System (BTS). The City's BTS contains relevant data for all businesses paying the City's business tax. Currently, a total of approximately 73,000 businesses are registered with the City. For purposes of conducting this survey and consistent with established requirements to participate in the City's Small Business Outreach Program, a small business is defined as a business with 35 or fewer employees. The query of the BTS resulted in a listing of more than 47,800 businesses having 35 or fewer employees conducting business in the City of San Jose.

Staff randomly called and spoke with representatives of 96 businesses identified by the query to determine the number of land and cellular phone lines used for purposes of conducting business and ultimately impacted by the ECSS Fee. The survey results indicated that a small business, as

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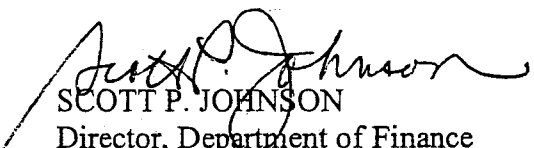
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defined, has an average of 0.68 phone lines per employee. Based on the BTS query of all small businesses Citywide and the results of the survey conducted, the average number of employees per business ranges from 3.03 to 7.85, resulting in a number of phone lines per small business ranging from 2.07 to 5.35. Using this data, staff estimates the average annual impact of the ECSS fee on City of San Jose small businesses to be between \$43.43 and \$112.44.

COORDINATION

This supplemental memorandum has been coordinated with the City Manager's Budget Office.



SCOTT P. JOHNSON

Director, Department of Finance